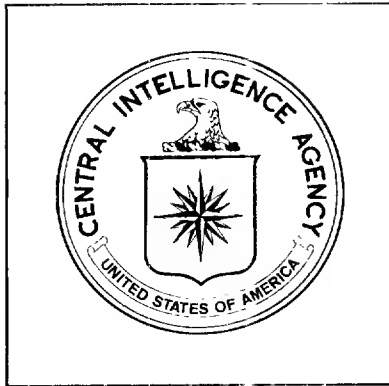


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MIDDLE EAST – AFRICA – SOUTH ASIA

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Bangladesh

Pakistan and Its Friends Ponder New Dacca Regime

The Pakistani government appears pleased by General Zia ur-Rahman's overthrow of General Musharraf's four-day-old regime last week in Bangladesh, according to the US embassy in Islamabad. Musharraf's coup had disturbed Pakistani officials; they viewed Musharraf, who was killed in Zia's counter coup, as sharing the pro-Indian orientation of the late President Mujib rather than the more pro-Pakistani, pro-Chinese, and pro-West outlook generally attributed to General Zia and to former president Mushtaque. Many Bengalees and Indians also seemed to regard Musharraf as pro-Indian, although we have not yet seen any good evidence of ties between him and New Delhi.

The Pakistanis have voiced some uncertainty about the course political developments will now take in Bangladesh, and consequently they are being careful not to be too hasty in seeking close ties with the new government. At present, they are waiting to see if the new regime moves quickly to reaffirm Mushtaque's decision to send an ambassador to Islamabad. Prime Minister Bhutto told newsmen this week that he hopes the two countries, which established diplomatic relations after Mushtaque took over in August, will exchange ambassadors before the end of the year.

Pakistani officials do not expect India to intervene militarily in Bangladesh in the immediate future, according to the US embassy in Islamabad. The Pakistanis think India will make such a move only if there is an outbreak of Muslim-Hindu strife in Bangladesh and a flight of Hindus to India. Nonetheless, Islamabad, as always, remains suspicious of New Delhi's intentions. The Pakistanis believe that over the longer run the Indians might take steps to induce a Hindu exodus from Bangladesh in order to have a pretext for intervention.

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Peking, meanwhile, has reportedly told Pakistani officials that it views General Zia's countercoup with satisfaction, although it is not sure yet whether he will remain in power. Last weekend the official Chinese news agency portrayed Zia's takeover in a favorable light. The Pakistanis believe China also sees Bangladesh as another area of potential tension between Peking and Moscow.

Saudi Arabia, which along with China followed Pakistan's lead in recognizing the Mushtaque regime, is said to be taking a wait-and-see approach to the present situation. Riyadh, according to a Pakistani official, has indicated that if there should be any new shift in Dacca back toward a more secular, "Mujibist" regime, Saudi Arabia will not send an ambassador or provide any financial aid to Bangladesh. (CONFIDENTIAL)

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Pakistan

*Bhutto Introduces Major
Agricultural Tax Reform*

In a move described by the US embassy in Pakistan as a "political masterstroke," Prime Minister Bhutto has announced a major revision of Pakistan's land taxation system. The new measure provides that all farmers who own less than 12 acres of irrigated land--some 85 percent of Pakistan's landowners--will be exempt from land taxes. To make up for the lost revenue, taxes paid by large landholders will be increased.

The economic effects of the reform will be small; land taxes were frozen years ago and their actual value has been eroded by inflation. The forgiven taxes will average only \$2.50 to \$7.50 annually per farmer. The added tax burden for larger landowners will likewise be limited.

Though it will not save farmers a great deal of money, Bhutto's move will be politically popular--particularly in Punjab province, the home of some 60 percent of all Pakistanis and 75 percent of those whom the measure will benefit. The poorest farmers will appreciate even a small saving. Also, exempted farmers will no longer have to spend time--and endure petty harassment--to settle their land tax obligations with village registrars and other officials.

Bhutto, according to the embassy, has succeeded through this move in recovering the initiative from political opponents who had been gaining some ground on him in Punjab and Sind, Pakistan's second most populous province. The announcement of the reform measure has given rise to speculation in Pakistan that Bhutto might capitalize on the expected favorable popular reaction by calling an early national election, although an election is not constitutionally required until 1977. (CONFIDENTIAL)

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~~SECRET~~Ivory Coast - South Africa*Pursuing Dialogue with Pretoria*

President Houphouet-Boigny reportedly stated privately last month that he intends to intensify his efforts to promote dialogue between black Africa and South Africa. [REDACTED]

[REDACTED] the Ivorian leader also said that "sooner or later" he will establish diplomatic relations with Pretoria.

At present, Malawi is the only black African state having formal political relations with South Africa. Should Houphouet actually decide to establish diplomatic ties, South African Prime Minister Vorster would be able to claim an important breakthrough in his campaign to improve relations with black Africa. Although the Ivorian president is one of the most conservative African leaders, he swings some weight as one of Africa's elder statemen.

Houphouet has advocated dialogue since 1970 when he became the first African leader to put the idea forward, encountering strong criticism from the Organization of African Unity. In the past year, Ivorian contacts with South Africa have increased. In September 1974, Vorster flew to Ivory Coast for a quiet private meeting with Houphouet and Senegalese President Senghor. Two months ago, the Ivorian information minister paid a very public 12-day visit to South Africa.

Since the minister returned he has told US officials in Abidjan that he foresees little likelihood of Ivorian relations with South Africa in the absence of an OAU declaration sanctioning such a step. At this juncture, the OAU approves only limited contacts with South Africa directly related to arranging for majority rule in Rhodesia and independence for Namibia. The OAU continues to insist that Pretoria must first end apartheid before there can be any broad dialogue.

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Nevertheless, it is clear that Houphouet is anxious to continue, and if possible, expand Ivorian contacts with South Africa. He genuinely believes that increased communication with Pretoria, rather than confrontation, will serve the long run interests of all parties concerned, including the oppressed black population of South Africa. (SECRET NOFORN/NOCONTRACT)

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